Office of the Public Sector Integrity Commissioner

Commissariat à l'intégrité du secteur public

Office of the Public Sector Integrity Commissioner of Canada

2008-09

Departmental Performance Report

The Honourable Vic Toews
President of the Treasury Board of Canada

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Commissioner's Message

As Canada's Public Sector Integrity Commissioner, I am pleased to present the Office's Departmental Performance Report (DPR) for 2008-09. This is the first DPR of my young organization created only two years ago. The *Public Servants Disclosure Protection Act (PSDPA)* which came into force on April 15, 2007 provides a mechanism for public servants and members of the public to disclose potential wrongdoings in the public sector. The *Act* also includes an effective means to protect public servants from reprisal for making such disclosures or participating in investigations.

In creating such an institution, Parliament wanted to send a strong signal that it is in the public interest to maintain and enhance public confidence in the integrity of public servants and that such integrity can be enhanced by establishing the Office of the Public Sector Integrity Commissioner of Canada (PSIC). The Office's approach to its mandate is to conduct investigations and resolve cases informally and expeditiously as well as emphasizing prevention of wrongdoing, and education about values and ethics.

As the 2008-09 DPR highlights, PSIC initiatives have contributed to the advancement towards our goals embodied as Inform, Protect and Prevent:

- Hosting a symposium bringing together senior leaders from across Canada and abroad to share visions and experiences from the national, provincial, public and private sector perspectives.
- Implementing a new investigative approach of Informal Case Resolution ensuring that cases are addressed as expeditiously as possible.
- Developing and sharing with public sector employees, communication tools and resource material including the 2008-09 Annual Report, and an open letter to middle managers encouraging them to fulfill their role as champions.
- Successfully closing the majority of disclosure and reprisal cases dealt with in 2008-09 including four serious cases, one of which involved potentially life-threatening behavior.

In the coming year, the Office will continue to focus its efforts on:

- Informing the public sector and Canadians of PSIC's role and mandate;
- Providing an efficient, safe and confidential mechanism to protect against reprisals;
- Creating a workplace culture open to dialogue and disclosure;
- Establishing a solid infrastructure that fully meets government standards;
- Identification of systemic issues giving rise to wrongdoing through dialogues with communities of interest.

Promoting integrity and protecting public servants who disclose wrongdoing is a shared responsibility. It is only if everyone – my Office, the Minister responsible, Parliamentarians, central agencies, leaders of organizations, unions, senior and middle managers, and indeed all public servants – play their parts that we will succeed. PSIC is committed to continue reaching out to public servants and stakeholders and together, building trust in our public institutions for the benefit of all Canadians.

Christiane Ouimet
Public Sector Integrity Commissioner of Canada

SECTION I: DEPARTMENTAL OVERVIEW

Raison d'être

The Preamble of the PSDPA provides a clear and compelling explanation of why the Office of Public Sector Integrity Commissioner of Canada (PSIC) was established. It states that "the federal public administration is an important national institution and is part of the essential framework of Canadian parliamentary democracy", that "it is in the public interest to maintain and enhance public confidence in the integrity of public servants", and that "confidence in public institutions can be enhanced by establishing effective procedures for the disclosure of wrongdoings and for protecting public servants who disclose wrongdoings..." PSIC was created to support and advance the proud tradition of public sector integrity for which Canada is renowned for.

The Office of the Public Sector Integrity Commissioner of Canada is committed to:

- Building an effective and credible organization where public servants and all citizens can, in good faith and in confidence, raise their concerns about wrongdoing.
- Assisting federal government organizations in preventing wrongdoing in the workplace.
- Establishing Canada as a world leader in the promotion of integrity in the workplace.

Responsibilities

The PSDPA came into force on April 15, 2007 and creates two main areas of responsibility:

- A disclosure process, i.e., a mechanism to allow public servants to disclose, in confidence, information about potential wrongdoing committed in the public sector; and
- A reprisal complaints process, which provides protection against reprisals for public servants acting in good faith in a disclosure process.

The Public Sector Integrity Commissioner of Canada is an Agent of Parliament appointed by Order in Council and approved by resolution of both Houses of Parliament. The Commissioner has jurisdiction over the entire public sector, including separate agencies and Crown corporations. However, the Commissioner does not have jurisdiction over the Canadian Security Intelligence Service, the Communications Security Establishment and the Canadian Forces, each of which is required under the PSDPA to establish their own internal procedures for the disclosure of wrongdoings and protection against reprisal. The Commissioner's mandate covers approximately 400,000 employees. In addition, the Act specifies that members of the public can come forward with information about a possible wrongdoing. As a result, the constituency is significantly broadened.

The Commissioner conducts independent reviews and investigations of disclosures of wrongdoing and complaints of reprisal in an equitable and timely manner. She issues findings and makes recommendations for corrective action. The Commissioner also exercises exclusive jurisdiction over the review, conciliation and settlement of complaints of reprisal. This includes making applications to the newly created Public Servants Disclosure Protection Tribunal to determine if reprisals have taken place and to order appropriate remedial and disciplinary action.

The Commissioner submits annual and case reports to Parliament. She may also submit special reports at any time to Parliament, Ministers or Boards of Directors of Crown corporations.
The Office emphasizes prevention of wrongdoing, informal case resolution and education about values and ethics. The Office is guided at all times by the public interest and ensures integrity, respect, fairness and professionalism in its procedures.

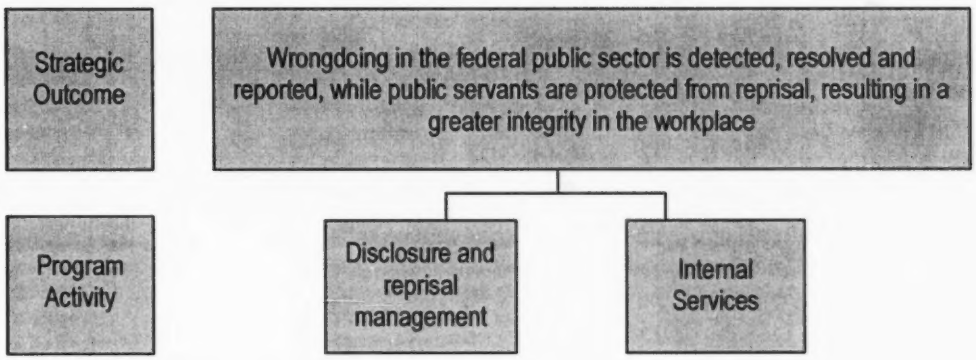
Strategic Outcome

In order to effectively pursue its mandate, the Office aims to achieve the following strategic outcome:

> Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace

Program Activity Architecture (PAA)

The chart below illustrates PSIC's framework of program activities, which roll-up and contribute to progress toward the Office's Strategic Outcome.


Strategic Outcome
Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace
Program Activity
Disclosure and reprisal management
Internal Services

Summary of Performance

2008-09 Financial Resources ($ thousands)

Planned Spending	Total Authorities	Actual Spending*
6,553	6,445	3,611

* The amounts displayed for "Actual Spending" differ slightly from the "Authorities used in the current year" as reported in the Public Accounts. These amounts were subsequently revised based on the recommendation of the Office of the Auditor General.

2008-09 Human Resources (FTEs)

Planned	Actual	Difference
41	21	20

The 41 FTEs represents an amount originally planned for when the Office was established in 2007-08. As the Office is still in the set-up stage, more time is needed to assess normal work volumes and determine long-term human resource requirements.

Performance Summary

The Office had not yet established performance indicators and targets at the time of the 2008-09 Report on Plans and Priorities. These were subsequently formulated for the 2009-10 Report on Plans and Priorities and the table below has been developed in this context.

Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace.		
Performance Indicators	**Targets**	**2008-09 Performance**
Increased awareness of workplace integrity and recourses available.	Inform public servants and Canadians.	Made presentations to public servants promoting understanding and joint responsibilities under the Act.
		Hosted symposium bringing together senior leaders from across Canada.
		Developed and shared communication tools and best practices.
		Advanced usage of Alternative Dispute Resolution processes.
Effective investigation, resolution and protection from reprisals.	Deal with cases informally and expeditiously.	Developed process checklist.
		Pioneered a new informal case resolution approach.
		The majority of disclosure and reprisal cases dealt with in 2008-09 were closed including four that were of a serious nature.
Effective and credible PSIC organization.	Sufficient resources to meet operational needs and appropriately respond to government requirements.	The Office was able to deliver its core activities through the staffing of key personnel and the usage of service providers however we continue to be subject to limited internal capacity and in-house expertise.
Effective and efficient management and oversight of corporate resources.	Establishment of appropriate infrastructure and outsourcing agreements to fulfill corporate requirements.	Established outsourcing arrangements for fundamental corporate services.
		Created a Departmental Audit Committee made up of external members.
		Put in place a strong governance framework including advisory committees that support senior management.

2008-09 Actual Spending varied from 2008-09 Planned Spending and Total Authorities as the Office is still in the establishment phase creating challenges for predicting case volume and staff capacity requirements. 2009-10 will be more representative of Actual Spending in a typical fiscal year as the Office focuses on increasing awareness of the mandate through promotional outreach campaigns and on initiating several projects.

($ thousands)

Program Activity	2007-08 Actual Spending	2008-09 Main Estimates	2008-09 Planned Spending	2008-09 Total Authorities	2008-09 Actual Spending	Alignment to Government of Canada Outcomes
Disclosure and Reprisal Management	3,520	6,553	6,553	6,445	3,611	Government Affairs
Total	3,520	6,553	6,553	6,445	3,611	

* The amounts displayed for "Actual Spending" differ slightly from the "Authorities used in the current year" as reported in the Public Accounts. These amounts were subsequently revised based on the recommendation of the Office of the Auditor General.

Contribution of Priorities to Strategic Outcome

Operational Priorities	Type	Status	Link to Strategic Outcome
Increased awareness of workplace integrity and recourses available. As a catalyst for accountability, awareness and greater public confidence, the Commissioner will keep the public informed and will be proactive in working jointly with the public sector to prevent wrongdoing.	New	Somewhat met – Hosted symposium bringing together senior leaders from across Canada and abroad sharing visions and experiences from the national, provincial, public and private sector perspectives. – Gave presentations at numerous conferences and seminars across the country informing employees at all levels of their options when wrongdoing is suspected. – Developed and shared with public sector employees communication tools and resource material including the 2008-09 Annual Report, and an open letter to middle managers encouraging them to fulfill their role as champions.	Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace. In order for wrongdoing to be properly reported, public servants must be aware of the avenues offered to them and the complement roles of key players.
Effective investigation, resolution and protection from reprisals. In carrying out her duty to receive and examine disclosures and complaints of reprisal, the Commissioner has committed before Parliament to take effective action within the Commissioner's jurisdiction whenever and wherever such action is warranted.	New	Successfully met – In 2008-09, the Office closed 61 of 76 disclosure cases with the remaining 15 under review or investigation. – In 2008-09, the Office closed 21 of 23 reprisal cases with the remaining 2 under review. – Implemented new investigative approach of Informal Case Resolution ensuring that cases are addressed as expeditiously as possible.	Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace. Priority is fundamental to carrying out mandate and to maintaining and enhancing public confidence in the integrity of public servants.

Effective and credible PSIC organization. The Office of the Public Sector Integrity Commissioner of Canada is committed to building an effective and credible organization where public servants and all citizens can share their concerns about wrongdoing in confidence and without fear of reprisals.	New	Somewhat met – Over the year, considerable effort was devoted to establishing procedures and approaches that respect the law and reflect the guiding principles for resolving disclosure and reprisal complaints evidenced in the pioneering of the new Informal Case Resolution approach. – Challenges still remain as a fear of coming forward and disclosing wrongdoing still exists. – As with other small organizations, the Office continues to face challenges regarding limited in-house expertise, shortage of qualified personnel and the capacity to deal with all government requirements.	Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace. A culture of disclosure is not yet entrenched in the public sector and, as such, PSIC must be seen as a trusted avenue to make disclosures of wrongdoing and protect from reprisal. The highest standard of skills and abilities of employees are essential to the success of our strategies.

Effective and efficient management and oversight of corporate resources. The Office of the Public Sector Integrity Commissioner of Canada is committed to building an effective and efficient approach to the stewardship of its corporate resources.	New	Successfully met – Established outsourcing arrangements for fundamental corporate services (for Finance, Procurement, Human Resources and Information Management/Information Technology). – Took steps to create a Departmental Audit Committee made up of external members. – Strong governance framework put in place including advisory committees that support senior management committees who have authority over the Office's operations and major investments. – Internal financial controls implemented.	Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace. Priority is fundamental to carrying out PSIC mandate and ensuring business continuity.

Risk Analysis

One of the most critical risks that we share with many small agencies is the capacity of the organization to fully deliver its mandate due to the difficulty in attracting and retaining competent staff in a highly competitive labour market. To address this risk, PSIC has taken a number of initiatives, including a pilot project to exchange best practices among small agencies, the formulation of a clearer definition of expectations and competencies/attitudes required from employees, and the establishment of an expert network to support us during the critical first years.

Another risk facing the organization is one of accessibility – public servants must be well informed about our role and mandate and have confidence in our ability to fulfill that mandate. A number of initiatives are being taken to address these issues and will be pursued over the next period. These include: solid outreach and communication program, partnership with key stakeholders and research/implementation of best practices.

These initiatives will also address the issue of the negative perception of disclosure itself and lack of trust in disclosure processes. Our outreach, partnership and research initiatives, supported by our record of rigorous, fair and efficient investigative practices, will contribute to effecting a culture of trust and "right-doing" in which public servants at all levels will be able to work in an environment that encourages open dialogue and in which concerns are addressed.

Our Informal Case Resolution approach ensures that cases are addressed as expeditiously as possible ensuring a fair and efficient justice process. However, this approach may be seen as restricting the number of formally investigated cases reported. This could result in the risk of incorrectly being perceived as reluctant to pursue cases through a formal investigation. The goal of this approach is to ensure that cases are dealt with as informally and expeditiously as possible, in accordance with the express requirement of the Act in this regard, without restricting our ability or commitment to formal investigation of cases when warranted.

The Office will conduct a formal corporate risk assessment related to the delivery of PSIC programs in 2009-10. The Office will also establish an ongoing risk-based audit and evaluation plan.

The 2008-2009 Annual Report (http://psic-ispc.gc.ca/doc.php?sid=68&lang=eng) further explores the special risks facing Federal Agencies as well as risk mitigation strategies that should be considered. Some of the risks discussed include:

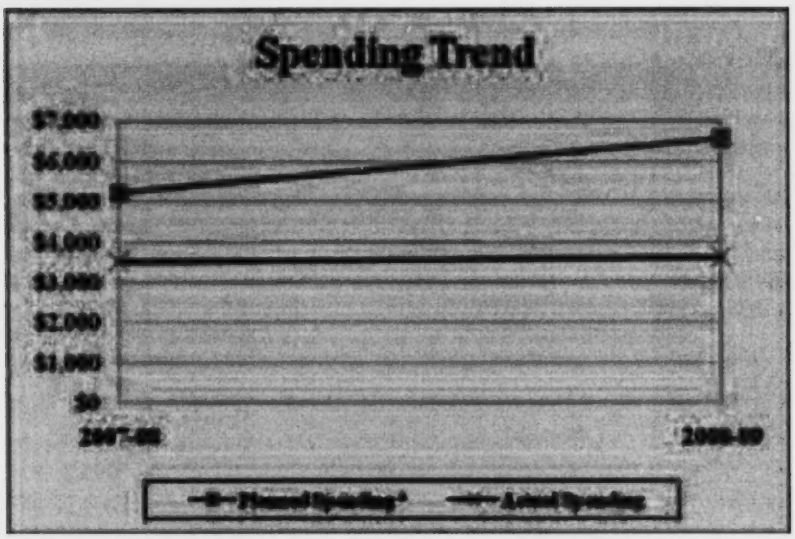
- Limited capacity to deal with all government requirements- small agencies are subject to the same onerous requirements for reporting to central agencies and other bodies, and to the human resources and financial processes in public administration, as are larger public sector organizations.
- Limited in-house expertise- given the size of these organizations, most corporate functions are often vested in one or a few individuals who are constantly playing multiple roles.
- High employee turnover- a serious shortage of qualified personnel in key functions due to high staff turnover has resulted in a continuing loss of corporate memory.

- Complex set of rules, practices and procedures- new Agency Heads coming from outside the public service are not always familiar with the complex regulatory and legislative framework and often do not have the internal support to guide them properly.
- Isolation- the degree of autonomy required to carry out functions may lead some Federal Agencies to adopt dysfunctional points of view such as believing that the rules do not apply to them, becoming highly resistant to change and renewal initiatives or losing sight of government-wide priorities.

Some suggested mitigation strategies for these risks:

- Working together;
- Better briefing of Agency Heads and senior staff;
- Ongoing training and coaching;
- A community of practice for human resources management;
- Common or shared services;
- Guidance from the Deputy Minister;
- Review of the heavy administrative and reporting burden.

Expenditure Profile



* The 2007-08 Planned of $5.2 M differs from the $8,1M reported in the 2008 Public Accounts of Canada as a result of contributions to employee benefit plans (s) and $2,7M reprofiled to future years.

The trend in 2007-08 and 2008-09 of under-spending Planned Spending is mainly due to the Office still being in the establishment phase creating challenges for predicting case volume and staff capacity requirements. 2009-10 will be more representative of Actual Spending in a typical fiscal year as the Office focuses on increasing awareness of the mandate through promotional outreach campaigns and on initiating several internal information management projects. This will also contribute to fostering a culture open to disclosure in the public service and to solidifying the Office as a trusted avenue to make disclosures of wrongdoing and protect from reprisal.

Voted and Statutory Items

This table illustrates the way in which Parliament approved PSIC's resources, and shows the changes in resources, as well as how the funds were spent.

40	Program Expenditures	N/A	3,354	6,033	3,280
(S)	Contributions to employee benefit plans	N/A	166	520	331

* The Office of the Public Sector Integrity Commissioner of Canada was established in April 2007.

** The amounts displayed for "Actual Spending" differ slightly from the "Authorities used in the current year" as reported in the Public Accounts. These amounts were subsequently revised based on the recommendation of the Office of the Auditor General.

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Strategic Outcome

Strategic Outcome 1: Wrongdoing in the federal public sector is detected, resolved and reported, while public servants are protected from reprisal, resulting in a greater integrity in the workplace.

The Office pursues this outcome through three guiding principles: inform, protect and prevent. The Office's outreach activities are a key means to *informing* public servants about the legislation and our mandate. Great emphasis is placed on the Office's *protection* role. This encompasses the protection of: identities, information, persons making the disclosure and the witnesses from any form of reprisal, interests of those against whom an allegation is brought, integrity of public institutions and the public interest. The Office also utilises a *prevention* oriented approach to promote ethical behaviour and a workplace culture that is open to dialogue and disclosure of wrongdoing and that protects public servants from reprisal.

The Preamble of the PSDPA articulates the benefits of this outcome to Canadians: "the federal public administration is an important national institution and is part of the essential framework of Canadian parliamentary democracy", and that "it is in the public interest to maintain and enhance public confidence in the integrity of public servants".

Program Activity: Disclosure and Reprisal Management

Program Activity : DISCLOSURE AND REPRISAL MANAGEMENT					
6,553	6,445	3,611	41	21	20

* The amounts displayed for "Actual Spending" differ slightly from the "Authorities used in the current year" as reported in the Public Accounts. These amounts were subsequently revised based on the recommendation of the Office of the Auditor General.

Increased awareness of workplace integrity and recourses available.	Awareness and Education.	Public servants and Canadians aware of the Office's role and mandate and disclosure of wrongdoing viewed as a pro-social behaviour.	Somewhat met	Numerous promotional and outreach activities were undertaken in 2008-09 including hosting symposium bringing together senior leaders from across Canada. However, more work is required to fully entrench a culture of disclosure in the public service and overcome the fear of coming forward, which must include partnerships with key stakeholders.

		Targets		Performance Summary
Effective investigation, resolution and reporting of wrongdoings.	Advice and Responses to Inquiries.	Inquiries are conducted efficiently and in accordance with the Act.	Successfully met	All requests for information about the Act and procedures used by our Office concerning disclosures of wrongdoing and reprisal complaints from public servants and members of the public received in 2008-09 were responded to.
	Disclosure Investigations and Reports.	Investigations are conducted efficiently and in accordance with the Act. The Commissioner reports to Parliament on specific information about the Office's activities.	Mostly met	61 of the 76 disclosure cases dealt with in 2008-09 were closed. Four of the cases resolved were of a serious nature including one that involved potentially life-threatening behaviour and required immediate intervention. The Office took another step towards ensuring the effectiveness of our procedures and processes through the pioneering of an informal case resolution approach premised on the principle that a formal investigation is not always the most effective/productive means of dealing with cases. The Office once again reported case statistics and performance to Parliament and the public through the Annual Report.
	Reprisal complaint resolutions.	All reprisal complaints dealt with on a high-priority basis and resolved in a timely manner.	Mostly met	Of the 23 reprisal complaints dealt with in 2008-09, only 2 remain active.
Public Servants are confident they are protected from reprisals.	Referrals to the Public Servants Disclosure Protection Tribunal Canada.	As required.	Successfully met	All closed reprisal files were concluded after an admissibility review or an investigation in accordance with the PSDPA and did not warrant referral to the Public Servants Disclosure Protection Tribunal Canada.
Effective and credible PSIC organization.	Appropriate organizational capacity.	Sufficient resources to meet operational needs and appropriately respond to government requirements.	Mostly met	Although the organization is still in the establishment stage, the Office was able to deliver its core activities through the staffing of key personnel and the usage of service providers. The Office continues to be subject to limited internal capacity and in-house expertise.

Effective and efficient management and oversight of corporate resources.	Effective and economically-delivered corporate services.	Establishment of appropriate infrastructure and outsourcing agreements to fulfill corporate requirements.	Successfully met	Important advancements were made in the 2008-09 fiscal year including establishing outsourcing arrangements for fundamental corporate services; creating a Departmental Audit Committee made up of external members; putting in place a strong governance framework including advisory committees that support senior management.

This program activity includes the management of disclosure and reprisal programs, as well as education initiatives and prevention of wrongdoing in the workplace.

Benefits for Canadians: This program activity contributes to safeguarding and fostering confidence in our public institutions. Such confidence is critical to Canada's reputation and economic well-being.

Lessons learned: Some key guiding principles emerged in the 2008-09 fiscal year from the resolution of four serious cases:

- We will intervene to address serious, systemic problems, even when a full investigation is not warranted, if it is within our authority and in the public interest to do so.
- Even when a full investigation into an alleged wrongdoing or reprisal is not warranted, we will intervene when the public interest requires immediate action to deal with a danger to life, health or public safety.
- Complaints of reprisal are the exclusive authority of our Office and demand the highest degree of rigour and transparency.
- In considering whether to make an application to the Tribunal, the Commissioner must take into account, having regard to all the circumstances relating to a complaint of reprisal, whether it is in the public interest to do so.

Challenges still persist related to fostering a culture of disclosure in the public service and overcoming the fear of coming forward. The Office plans to increase the focus on outreach activities as well as developing and strengthening partnerships with key stakeholders.

As with other small organizations, the Office continues to face challenges regarding limited in-house expertise, shortage of qualified personnel and the capacity to deal with all government requirements. The Office plans to pursue a human resources strategy centered on renewal and ongoing training as well as leveraging external experts when necessary. The Office will also develop a multi-year corporate risk mitigation strategy.

SECTION III: SUPPLEMENTARY INFORMATION

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements of the Office of the Public Sector Integrity Commissioner of Canada (the Office) for the year ended March 31, 2009 and all information contained in these statements rests with Office's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Office's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Office's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act and regulations* and *the Public Servants Disclosure Protection Act,* are executed in accordance with prescribed regulations, are within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Office.

The Office's financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Christiane Ouimet

Public Sector Integrity Commissioner of Canada

France Duquette

Special Advisor and Senior Financial Officer

Ottawa, Canada
May 29th, 2009

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Speaker of the House of Commons and the Speaker of the Senate

I have audited the statement of financial position of the Office of the Public Sector Integrity Commissioner as at March 31, 2009 and the statements of operations, equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Office's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Office that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations and the *Public Servants Disclosure Protection Act*.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
May 29, 2009

Financial Statements

Statement of Financial Position

As at March 31 (in dollars)	2009	2008
Assets		
Financial Assets		
Due from the Consolidated Revenue Fund	136,556	547,385
Accounts receivable and advances (note 4)	237,191	37,786
Total Financial Assets	373,747	585,171
Non-Financial Assets		
Tangible capital assets (note 5)	89,114	107,102
Total Assets	462,861	692,273
Liabilities		
Accounts payable and accrued liabilities (note 6)	369,400	585,171
Vacation pay and compensatory leave	188,847	256,847
Employee severance benefits (note 7b)	471,341	303,613
Total Liabilities	1,029,588	1,145,631
Equity of Canada	(566,727)	(453,358)
Total Liabilities and Equity of Canada	462,861	692,273

Contractual obligations (note 10)

The accompanying notes are an integral part of these financial statements.

Christiane Ouimet
Public Sector Integrity Commissioner of Canada

France Duquette
Special Advisor and Senior Financial Officer

Statement of Operations

For the year ended March 31 **2009**

(in dollars)

Operating Expenses

Salaries, wages and benefits	2,695,933
Professional and special services	889,725
Accommodation	278,600
Information	140,240
Travel and relocation	85,568
Communication	48,682
Utilities, material and supplies	40,861
Amortization of tangible capital assets	17,988
Rentals	15,545
Equipment expenses	11,746
Repairs and maintenance	2,674
Total Operating Expenses	**4,227,562**

Revenues

Revenues	30
Net Cost of Operations	**4,227,532**

The accompanying notes are an integral part of these financial statements.

Statement of Equity of Canada

For the year ended March 31

(in dollars)

	2009
Equity of Canada, beginning of year	**(453,358)**
Net cost of operations	**(4,227,532)**
Net cash provided by Government of Canada	**3,896,092**
Change in due from the Consolidated Revenue Fund	**(410,829)**
Services received without charge from other government departments (note 9)	**628,900**
Equity of Canada, end of the year	**(566,727)**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

For the year ended March 31 **2009**

(in dollars)

Operating Activities

Net cost of operations	4,227,532
Non-cash items included in Net Cost of Operations:	
Amortization of tangible capital assets (note 5)	(17,988)
Services received without charge from other government departments (note 9)	(628,900)
Variations in Statement of Financial Position:	
Increase in accounts receivable and advances	199,405
Decrease in accounts payable and accrued liabilities	215,771
Decrease in vacation pay and compensatory leave	68,000
Increase in employee severance benefits	(167,728)
Cash used by operating activities	3,896,092
Net cash provided by Government of Canada	3,896,092

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1. Authority and Objective

The Office of the Public Sector Integrity Commissioner of Canada (the Office) was created under the *Public Servants Disclosure Protection Act*, which came into force on April 15, 2007. The Integrity Commissioner is an independent officer of Parliament appointed by the Governor-in-Council following approval of her nomination by resolution of the Senate and the House of Commons. The Office is established under the authority of Schedule I.1 of the *Financial Administration Act* and is funded through annual appropriations. The Commissioner is accountable for, and reports directly to Parliament on the results achieved.

The Office has the mandate to establish a safe, confidential mechanism for public servants or members of the public to disclose potential wrongdoing in the public sector. The Office also protects the public servants from reprisal for making such disclosures or participating in investigations.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

(b) Parliamentary appropriations

The Office is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Office do not parallel financial reporting according to Canadian generally accepted accounting principles for the public sector since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(c) Due from the Consolidated Revenue Fund

The Office operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Office is deposited to the CRF and all cash disbursements made by the Office are paid from the CRF. Due from the Consolidated Revenue Fund represents amounts of cash that the Office is entitled to draw from the CRF, without further appropriations, in order to discharge its liabilities. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(d) Accounts receivable

Accounts receivable are stated at amounts expected to be ultimately realized. A provision is made for accounts receivable where recovery is considered uncertain.

(e) Tangible capital assets

Tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded at their acquisition cost and are amortized on a straight line basis over their estimated useful lives, as follows:

Tangible capital asset class	Amortization period
Informatics hardware	3 to 5 years
Other equipment	1 to 15 years
Leasehold improvements	Over the remaining term of the lease

Amortization of the tangible capital asset commences the month after the asset is put into service.

(f) Salaries and benefits, and vacation leave

Salaries and benefits, and vacation leave are expensed as they accrue to employees under their respective terms of employment. The employee salaries and benefits liability is calculated based on the respective terms of employment using the employees' salary levels at year end, and the number of days remaining unpaid at the end of the year. The liability for vacation leave is calculated at the salary levels in effect at March 31 for all unused vacation leave benefits accruing to employees. Employee vacation pay liabilities payable on cessation of employment represent obligations of the Office that are normally funded through future years' appropriations.

(g) Employee future benefits

- **Pension benefits**
  Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The Office's contributions to the Plan are charged to expenses in the year incurred and represent the total Office obligation to the Plan. Current legislation does not require the Office to make contributions for any actuarial deficiencies of the Plan.

- **Severance benefits**
  Employees are entitled to severance benefits under collective agreements or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(h) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(i) Services received without charge by other government departments

Services received without charge from other government departments and agencies are recorded as operating expenses at their estimated cost. A corresponding amount is reported directly in the Statement of Equity of Canada.

(j) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The liability for employee severance benefits and the estimated useful life of tangible capital assets are the most significant items where estimates are used. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The Office receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Office has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The following tables present the reconciliation between the current year appropriations used, the net cost of operations and the net cash provided by the Government:

(a) Reconciliation of net cost of operations to current year appropriations used:

(in dollars)	2009
Net cost of operations	4,227,532
Items affecting net cost of operations but not affecting appropriations:	
Services received without charge from other government departments (note 9)	(628,900)
Amortization of tangible capital assets	(17,988)
Revenue not available for spending	1,330
Variation in vacation pay and compensatory leave	68,000
Variation in employee severance benefits	(167,728)
Adjustments to previous year's expenses	128,446
	(616,840)
Current year appropriations used	3,610,692

(b) Appropriations provided and used:

(in dollars)	2009
Program expenditures - Vote 40	6,113,998
Statutory - Contributions to employee benefits plan	330,997
	6,444,995
Lapsed	(2,834,303)
Current year appropriations used	3,610,692

(c) Reconciliation of net cash provided by Government to current year appropriations used:

(in dollars)	2009
Net cash provided by Government	3,896,092
Revenue not available for spending	1,330
Increase in accounts receivable and advances	(199,405)
Decrease in accounts payable and accrued liabilities	(215,771)
Adjustments to previous year's expenses	128,446
Current year appropriations used	3,610,692

4. Accounts Receivable and Advances

(in dollars)	2009	2008
Accounts receivable		
Other government departments	232,844	37,786
External parties	792	-
	233,636	37,786
Advances		
Employees	2,555	-
Petty cash	1,000	-
	3,555	-
	237,191	37,786

5. Tangible Capital Assets

Tangible capital assets (in dollars)	Balance beginning of year	Acquisitions	Disposals / write-offs Adjustments	Balance end of year
Informatics hardware	10,723	-	-	10,723
Other equipment	22,758	-	-	22,758
Leasehold improvements	83,375	-	-	83,375
	116,856	-	-	116,856

Accumulated amortization (in dollars)	Balance beginning of year	Amortization	Disposals / write-offs Adjustments	Balance end of year
Informatics hardware	-	2,145	-	2,145
Other equipment	1,728	3,457	-	5,185
Leasehold improvements	8,026	12,386	-	20,412
	9,754	17,988	-	27,742

Net book value (in dollars)	2009	2008
Informatics hardware	8,578	10,723
Other equipment	17,573	21,030
Leasehold improvements	62,963	75,349
	89,114	107,102

6. Accounts Payable and Accrued Liabilities

(in dollars)	2009	2008
External parties		
Accounts payable and accrued liabilities	167,963	66,425
Accrued salaries	53,617	39,306
Other government departments		
Accounts payable	147,820	479,440
	369,400	585,171

7. Employee Future Benefits

(a) Pension benefits

The Office's eligible employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada and Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Office contribute to the cost of the Plan. In 2008-09, the expenses amount to $238,980, which represents approximately 2.0 times the employees' contributions.

The Office's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

The Office provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in dollars)	2009
Liability for employee severance benefits, beginning of year	303,613
Expense for the year	167,728
Benefits paid during the year	-
Liability for employee severance benefits, end of year	**471,341**

8. Related Party Transactions

The Office is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Office enters into transactions with these entities in the normal course of business and on normal trade terms.

During the year, the Office incurred expenses of $1,994,743 from transactions in the normal course of business with other Government departments, agencies and Crown corporations. These expenses include services received without charge of $628,900 as described in note 9.

9. Services received without charge from other government departments

During the year, the Office received services without charge from other departments, which are recorded at their estimated cost in the Statement of Operations as follows:

(in dollars)	2009
Accommodation provided by Public Works and Government Services Canada	278,600
Employer's contribution to the health and dental insurance plans and expenditures paid by Treasury Board of Canada Secretariat	166,900
Audit services provided by Office of the Auditor General of Canada	100,000
Leasehold improvements paid by Public Works and Government Services Canada	83,400
	628,900

10. Contractual Obligations

The nature of the Office's activities can result in some large multi-year contracts and obligations whereby the Office will be obligated to make future payments when the goods or services are received. These obligations include service contracts and equipment rental. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in dollars)	
2009-10	408,800
2010-11	133,600
2011-12 and thereafter	51,000

11. Comparative figures

This is the first year that a set of financial statements including Statement of Financial Position, Statement of Operations, Statement of Equity of Canada and Statement of Cash Flow have been subject to audit. It is neither practical nor cost effective for the Office to show certain comparative amounts because some previous year's amounts would not be able to be substantiated with the required degree of precision.